

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

January 24, 2001

IN RE:

**JOINT APPLICATION OF McLEODUSA
TELECOMMUNICATIONS SERVICES, INC. AND
CAPROCK TELECOMMUNICATIONS CORPORATION
FOR APPROVAL TO TRANSFER CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY**

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**DOCKET NO.
00-00906**

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before the Tennessee Regulatory Authority (the "Authority") at the regularly scheduled Authority Conference held on November 21, 2000 for consideration of the Joint Application (the "Joint Application") of McLeodUSA Telecommunications Services, Inc. ("MTS") and CapRock Telecommunications Corporation ("CapRock") pursuant to the provisions of Tenn. Code Ann. § 65-4-113, for approval of a transfer of the authority to provide utility services currently held by CapRock.

Requirement of and Standards for Authority Approval

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) provides as follows:

(a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Joint Application

CapRock and MTS filed the Joint Application with the Authority on October 12, 2000. As stated in the Joint Application, MTS is an Iowa corporation and a wholly owned subsidiary of McLeodUSA Incorporated (“McLeod”). MTS is a nondominant carrier that provides integrated telecommunications services to small and medium-size business and residential customers and governmental entities. MTS is authorized to operate as a reseller of telecommunications and operator services in the State of Tennessee pursuant to a certificate of public convenience and necessity (“CCN”) granted by the Authority on March 25, 1997 in Docket No. 96-01632.

CapRock is a Texas corporation with principal offices located in Addison, Texas. CapRock is a provider of facilities-based integrated telecommunications services, including local and long distance services, to businesses and carriers in the Southwestern United States. CapRock is authorized to provide a full array of telecommunications services, including local exchange services, in the State of Tennessee, pursuant to a CCN to operate as a Competing Telecommunications Service Provider granted by the Authority on February 22, 2000 in Docket No. 99-00852. CapRock is a wholly owned subsidiary of CapRock Communications, Corp. (“CCC”).

The Joint Application further states that although the two companies currently are not affiliated with one another, at the time they plan to transfer the authority granted by the TRA,

CapRock and MTS will be under common ownership and control. This will result from the planned merger of MTS's holding company parent, McLeod, with CCC, the holding company parent of CapRock. After the merger, CapRock will be an indirect, wholly owned subsidiary of McLeod and an affiliate of MTS. The Joint Application states that the proposed transfer of the authority currently held by CapRock to MTS is part of McLeod's overall plan to consolidate the operations of its operating subsidiaries into a single subsidiary, MTS.

The Joint Application states that CapRock currently does not serve any local exchange customers in the State of Tennessee and that accordingly no Tennessee customers will be affected by the proposed transfer of authority. The Joint Application states that following the transfer of authority MTS will market competitive local exchange services to Tennessee customers, in addition to the long distance services it currently provides in Tennessee pursuant to its own authority.

The Joint Application states that MTS is an experienced provider of local exchange services and is well qualified to provide such services in the State of Tennessee. As the Joint Application states, the Authority has already found that MTS is qualified to provide intrastate telecommunications services to Tennessee consumers. The Joint Application further states that, in addition to its own expertise and resources, MTS relies on the substantial financial, managerial, and technical resources of its parent, McLeod.

The Joint Application explains that the proposed transfer of authority will serve the public interest because the increased size of the resulting company will enhance competition in small and medium-size markets, the combination of personnel will allow both companies to manage their telecommunications operations more efficiently, and the combined resources of the two companies will give the companies greater access to capital markets.

Findings

The Directors of the Authority considered this matter at the November 21, 2000 Authority Conference. Based upon careful consideration of the Joint Application, the Exhibits thereto, and of the entire record of this matter, the Authority finds and concludes as follows:

1. The Authority has jurisdiction over the subject matter of this Joint Application pursuant to Tenn. Code Ann. § 65-4-113;
2. CapRock Telecommunications Corporation has been granted authority to provide telecommunication services in Tennessee;
3. The authority granted CapRock Telecommunications Corporation will be transferred to McLeodUSA Telecommunications Services, Inc.;
4. McLeodUSA Telecommunications Services, Inc. has the suitability, financial responsibility, and capability to perform efficiently the utility service to be transferred to it; and
5. The transfer of authority will benefit the consuming public.

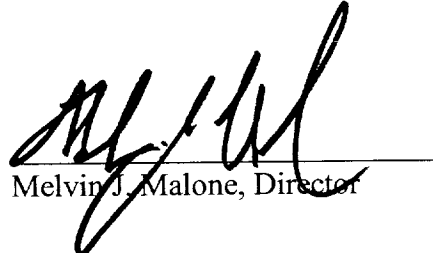
IT IS THEREFORE ORDERED THAT:

1. The Joint Application of CapRock Telecommunications Corporation and McLeodUSA Telecommunications Services, Inc. for approval of the transfer of authority described herein is approved; and
2. Any party aggrieved by the Authority's decision in this matter may file a Petition


for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


K. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary